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ABSTRACT

Designed as a secondary level consumer education text dealing with how to use your money wisely, this booklet makes use of stories, skits, and cartoon drawings to dramatize the everyday life of a consumer. It tells how to buy cars, how to use credit (charge accounts, credit cards, life insurance, credit unions, passbook savings, commercial banks, and finance companies) and deals with such topics as consumer protection services, law and the buyer, warranties and guarantees, fraud, advertising, how to save, and how to determine bargains and receive guarantees. Each of the 15 chapters is followed by questions designed to stimulate lively classroom discussion, and a list of projects for separate groups or the class as a whole is appended. Chapter titles are Buying a Car, Charge It!, The Smiths and the Johnsons, "But the Ad Said....!", "I Know It's the Best Brand Because It's Advertised Most!", Law and the Buyer, Fraud and You, Help!, So You Want to Use a Small Claims Court, How to Save, What "Truth in Lending" Means to You, When is a "Bargain" a Bargain?, "You're Fired!", "So I Got My Money Back, But What's Going to Happen to Them?", and Things to Remember. An index is included. (WL)

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GETTING YOUR DOLLAR'S WORTH

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To The Teacher

It is the hope of this author to present important material, such as Consumer Protection, to the student in a manner that he can readily identify with.

It is also felt that the material does not have to be boring. To combat this "evil," stories and skits are used to dramatize the everyday life of a consumer. The skits and stories are followed by questions that, hopefully, will stimulate lively classroom discussions.

At the end of the book you will find different projects that separate groups and the class as a whole can tackle. Possibly these will further stimulate the students to originate their own projects.

I would like to thank the Better Business Bureau for permission to use several cartoons.

The Author

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To The Student –
How To Use Your Money Wisely

Many textbooks used today are difficult to read and to understand. To make matters worse, they are very *boring* to the average student.

This book, we hope, is a step in the right direction. The topic we are dealing with, *how to use your money wisely*, is interesting to most.

Nobody can tell you how to spend your money, be it a dime or a thousand dollars. What might be good for you may prove disastrous for someone else. However, we are sure that, after you read about the many bad experiences of others, you will have learned some valuable lessons.

We hope the stories and information on the following pages will give you an insight into the problems and questions that you face now and will continue to face as the years go by.

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BUYING A CAR

Outside of buying a house, the largest investment most people make is that of buying a car. Unfortunately, few people enter this investment wisely. Before you even begin to "look," there are certain questions you should ask yourself:

1. How much can I afford to spend?
2. Should I buy a new car or a used car?
3. Do I want "luxury," or just a good means of transportation?
4. Should I pay cash or buy on time?
5. Have I figured the *extra* costs involved: sales tax, insurance costs, gasoline costs, maintenance, etc.?

Of course, you could follow the method of young Will B. Foolish. Will is a construction worker. In one summer he made and spent nearly $2,000. He spent it on

girls, clothes, and rent (he had a $170/month apartment). One day in September Will vowed to himself that he would reform. He avoided expensive dates and restrained himself from buying new high style and expensive clothes. He moved into a $25/week rooming house. Within a few months he had saved $500.

"I'll get me a convertible over on Broad Street," he said. Broad Street shone with cars. Chrome wheels sparkled under strings of hanging lights–aisle after aisle. Friendly men in clean, neat suits sat in plate-glass offices.

Will looked the lots over. He shook his head to several salesmen and walked on, saying to himself, "I'm not going to get hooked by their sweet talk. I'll find what *I* want first."

Finally, he spotted a nice set of wheels in a lot which had a large sign reading "HONEST JOHN GOOD-DEAL: LOW PRICE CHAMP." The car which caught Will's eye was a green Ford with new tires – about four years old. He got in and started her up. She ran like a dream! "How much?", he asked. Honest John puffed on his cigarette and leafed through his red book.

"Book says $872, here." Will started to get out from the driver's seat of his beautiful dream car. Honest John puffed on his cigarette again and scratched his chin. "Tell you what I'm gonna do, son. You haven't got a car to trade in, so I'll help you a little with the price. How does $787 sound?"

Will turned the radio on. "Radio doesn't sound right to me," he said.

"Our man will fix that. Nothing leaves Honest John's unless it's perfect! Or, if you want, son, I'll knock another $25 off if you fix the radio yourself."

Now Will B. Foolish is thinking to himself, "How about that? I'm talking this guy into a real bargain!" Out loud he said. "I want to buy her, mister, but $700 is the limit I've set."

Honest John puffs again. "I know things are rough all over. Why not make it $750 so that I can make a few bucks, too."

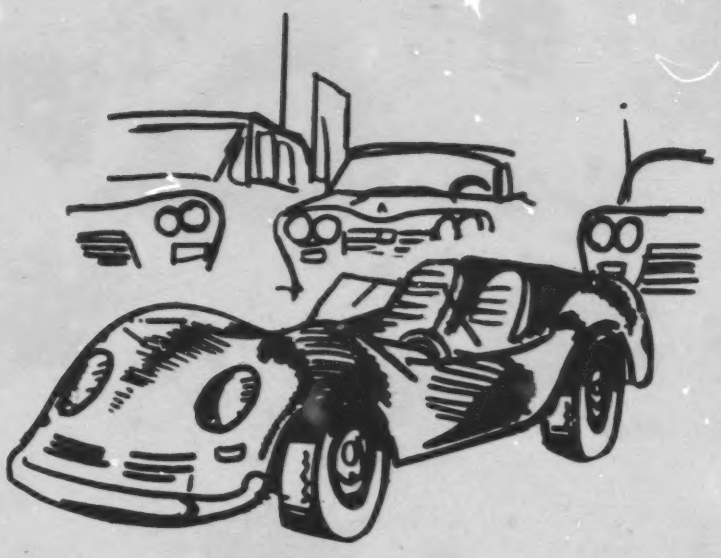
Will acted like he wouldn't take it, but to himself he said, "Man, I am the shrewdest trader around!"

"O.K. . . . O.K.," said Honest John, "I'll split the difference. Make it $725. I've got to move this car."

On the way to his plate-glass office to finalize the agreement, Honest John asked Will to go through his garage.

"I want to show you one that just came in. It's a real beauty. Never had a thing so spotless. What a dream!"

It was a gleaming, bright blue Corvette. Its sleek white top was down, showing the beautiful interior.



"Ain't this outa sight? I figured you'd like to see it. I can tell you know cars. This baby was owned by a retired priest. . . . driven only 13,000 miles in 5 years. . . . power steering – power brakes – AMFM radio – engine built for racing. It would run you $6,500 new. Go ahead, sit in her."

Breathless, Will sat in the bucket seat. He turned on the FM radio.

"Some wheels, hey? A fella who knows how to drive could keep her going like a watch for 10 years. . . . save himself some dough."

"Some rich guy will grab her," sighed Will.

"No-o-o. . . . some smart guy will. We're selling this for almost nothing."

Hesitantly, Will asked, "What are you asking for her?"

"Only $2,500. That's for 10 years of car. That's at least three times the life you'll get out of the Ford out there. In the long run, this Corvette would be cheaper to own."

Now Honest John had Will befuddled. "What should I do?" he asked himself. "That is really too much money for me to spend. There would be too many payments, and they would be a lot higher, too."

Honest John seemed to read Will's mind. "Say, I can see you appreciate real quality. Like to have her? Well, you can! I want this dream to go to somebody that will really appreciate it. I can stretch the payments out over a longer period of time, making them about the same as that Ford per month. After all, what would you rather drive. . . . a Ford or a 'Vet?"

Two hours later, Will drove his beautiful Corvette home. It ran like a dream – for about 65 days. Then the fuel pump went. Will went back to Honest John.

"Say, that really is too bad, son," said Honest John. "The guarantee ended five days ago – look at your contract. I don't do repair work here. Try taking it to a mechanic."

The new fuel pump, with installation charges, cost Will $42.50. Next, a coupon book from the Best Finance Company arrived in the mail with 36 coupons. Each coupon represented a $100 payment.

Will didn't have much trouble for the next six months. After that, disaster struck. First, the battery went. Then, the alternator. Will noticed strange sounds coming from the transmission.

Soon, little things began causing him all kinds of problems. Gas bills grew. The Corvette got only nine miles to a gallon of gas. The heater quit on him. The disc brakes needed new pads.

"Honest John told you that this car had only 13,000 miles on it?" the mechanic asked. "Looks to me like 83,000!"

Now Will started thinking, "Have I been cheated?" He looked at his coupon book. There were 28 coupons left. "Wow!" cried Will, "I still owe $2,800 on this bomb! Well... I'm not paying them one more penny. They can come and take the car away. They expect me to pay a total of $3,600 over three years for a car that I bought for $2,500!"

Now, for the first time, Will examined his contract. Yes. Interest charges, collision insurance, sales tax . . . they added up to an unbelievable $367 a year, – $1,100 for the full payment period. He was stuck with a car he simply couldn't afford.

He stopped making payments. Bills continued to arrive. Then, phone calls. Finally, a man from the Best Finance Company arrived.

"I'm taking your car under law," he said sharply, showing Will the legal papers. Will felt great. "I'm off the hook," he said to himself.

But, the next week a new eye-opener came. A letter arrived from the Best Finance Company:

> Dear Mr. Foolish,
>
> We have been able to sell the Corvette, formerly owned by you, for $1,400.00. This amount has been applied, therefore, to your debt to us, leaving a balance of $600.00 still outstanding.
>
> This $600.00 is due immediately. However, Mr. Foolish, we are prepared to convert this into a time-payment loan consisting of seven monthly installments of $100.00 each. This includes interest.
>
> Please contact us immediately.

"They can't do this to me!" shouted Will.

But poor Will found out that he had no choice. He went to a lawyer, who explained his contract. "Will," said the lawyer, "you borrowed a lot of money from the finance company. You paid back only $800 in eight payments, and $300 of that went towards interest charges, collision insurance, and sales tax. So, Will, you actually paid only $500 towards the car's price of $2,500. You still owed $2,000 when they repossessed the car. They sold it for $1,400, which means that there is still $600 to be paid."

That night, Will walked dejectedly home from work. He went by Broad Street, past Honest John's used car lot. He hadn't intended to look at the cars, but right near the sidewalk was his car! *His Corvette!* He couldn't believe his eyes. On the windshield was a sign which read: "LOW MILEAGE-LOW PRICE."

Will B. Foolish just stood there and cried.

Let's Talk About It

1. Should a guy or gal in high school buy a used car or wait until he or she has saved the money for a new car?

2. What mistakes did Will B. Foolish make?

CHARGE IT!

...Till Death Do Us Part

"EASY TERMS – TAKE 36 MONTHS TO PAY"!

So the advertisement says, and it sounds so easy. It could mean that you can buy that guitar you saw on sale at a local store. That guitar that you never seem to have enough money for.

Before you give the cashier the $10 down payment and put yourself into hock for the next two years, let's take a look at "credit" buying.

When your grandparents bought things, they probably believed that it was wrong – very wrong – to own something that they had not yet paid for. But most people today know that there is nothing wrong with buying on time. There *is* something wrong, however, with *not getting quality merchandise* and with *not shopping around* to get the most inexpensive financing possible.

Unfortunately, very few people are familiar with the many ways they can use credit to their advantage. Here are a few things you should check into before you buy on time.

Interest-free credit

You've heard, I am sure, the old saying, "You can't get something for nothing." This is a wise statement, indeed. But you *can* get *interest-free credit* at some stores if you are willing to pay the *balance* within (usually) 25 to 30 days, depending on the store's policy. Some will even let you go for as long as 90 days before they will charge interest – providing, of course, that you open a charge account at their store. (The latter are the exception rather than the rule.)

Revolving charge accounts

When you get beyond the charge account, you generally get into what is known as a "revolving" charge account. Many stores allow a customer to charge purchases up to a given amount, depending on his credit rating and the amount he wishes to pay each month. The customer makes a monthly payment and is charged interest on the unpaid balance. The interest charge is usually 1½% monthly. That doesn't sound like much, does it? But figured on an annual basis, this comes out to a whopping *18%* interest.

Take Ken Blunder, for instance. He wants to buy a Panasonic stereo set that is on sale for $200. It regularly sells for $230. He takes a year to pay and the salesman tells him that he will be paying *only* 1½% interest per month. But, what Ken does not realize is that he is paying interest at an annual interest rate of *18%* on the unpaid balance!

Credit cards

Here again, it is impossible to make the generalization that credit cards are either good or bad. It depends on *you*. If you have absolutely no will power, then the best advice to you would be to forget about owning credit cards of any type. For those who can restrain themselves, and who do not have a tendency to lose things, credit cards have a distinct advantage.

Many different types of credit cards exist. Some have to be paid for and some are free. Generally, they carry no interest charges for at least 30 days, and sometimes even longer. Many banks and credit-card companies get their "interest" by charging the stores where purchases were made a certain percent of the purchase price – in short, a discount.

A big advantage of credit cards is that they act as ready cash in your pocket when an emergency arises.

The Cost of Borrowing Money

Everyone knows that you can borrow money for something that you want to purchase. You should be aware that the interest rate is based primarily on the *RISK* taken by the company that is lending you the money. As a result, the true annual interest rate can go as high as 36%.

No one can tell you in every situation what is the best way to borrow money. But if you know the many different ways that are available to you, it will make the task a lot easier.

Life insurance

Probably the least expensive loans are those available from life insurance companies. Those people that have life insurance policies may borrow up to the cash value of their life insurance at an interest rate usually from 5% to 6% per year.

Credit unions

In many companies and organizations, a credit union has been set up, either by the organization itself or by the union. This credit union is for the benefit of the employees. The credit union offers low-cost loans to their members; it does this by pooling the savings of its members. In other words, it is a kind of *consumer cooperative.* Interest charges usually are in the neighborhood of 1% a month on the unpaid balance. One note of caution: not all credit unions are chartered or supervised by the Federal Government.

Passbook savings

This is another inexpensive way to borrow money, but there is a CATCH to it! You *must* have money in the bank in order to borrow. In order to explain things more clearly, here is a story about Elton Prudent.

Elton Prudent had $1500 in the bank, and $1000 of this was for emergency purposes: in case he lost his job or in case his car broke down, etc. But $500 of this money had no specific purpose. It was simply "savings." Now, Elton decided that he wanted to buy a total sound system that he saw at Hondo's Music Store for $400.

Elton was going to take the money he needed out of the bank, but when he told the teller at his savings and loan association what he was planning to do, she told him, "You have another alternative, Elton. You can keep your entire $1500 in the bank and keep collecting your 5¼% interest on all of it. But you must promise that you will keep 10% more in your account than you are borrowing. In your case, Elton, you would be required to keep $440 in your account until your first payment. On the loan, you would be charged 1¼% more than you are presently making in interest on your account. In other words, you would pay 6¾% on the $500 you borrow."

"Why would I want to do that?" asked Elton, puzzled.

"Elton, did you have any trouble saving that money that's in your account?" asked the woman at the teller window.

"Man, if you only knew what a hassle it was to save that money!" replied Elton.

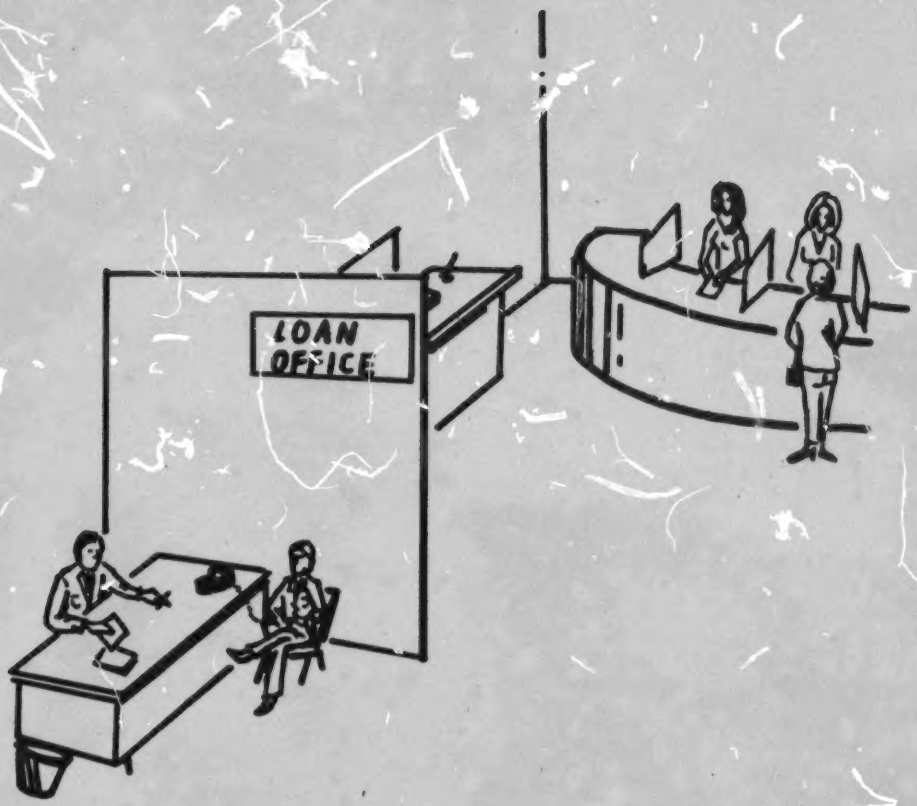
"Well, why take it out of the bank? Actually, the loan will cost you only 1½% – and you'll find it easier to pay back the loan than to just 'save money.'"

"Thanks a million," said Elton. "That's a good idea."

What you can learn from Elton's experience is that, if you have trouble saving money and keeping it in the bank, then passbook savings could be a good idea for you, too.

Commercial banks

Commercial banks only loan money to people that are considered *good risks.* A person who has a job and a record of prompt payment of bills should have no trouble getting a loan from a bank. One thing to remember is that banks have different plans for repayment and different rates, so it is wise to shop around. In general, the rate will probably be more than from the other sources mentioned in this section, but less than from a finance company.



Finance companies

Finance companies make small loans to people who would have trouble getting loans from a bank. But because these companies take greater risks than banks, they usually are permitted by the laws of the states to charge higher rates of interest. Interest rates in some states are allowed to be as high as 3½% a month – or *42% a year.* So, before going to "your friendly neighborhood loan company" to borrow money, try to find a cheaper source.

LET'S TALK ABOUT IT!

1. How can you get interest-free credit?
2. What is a revolving charge account?
3. Do all companies that loan money charge the same amount of interest for the use of their money?
4. What is the best way to borrow money?
5. Are credit cards a good idea?
6. What is the least expensive way to borrow money?
7. How does a credit union work?
8. Why do finance companies charge a higher rate of interest than banks?
9. Of all the plans mentioned in this section, which do you think is the best? Why?

When you buy something from a store on "time," the contract will probably be sold to a bank or a sales finance company. The store receives its money from the bank or the finance company, which then has the job of collecting your payments.

Despite its failings, and providing you *read your contract*, buying on time can lead to a better life.

The following two stories concern two families that had different feelings about buying on credit.

The Smiths

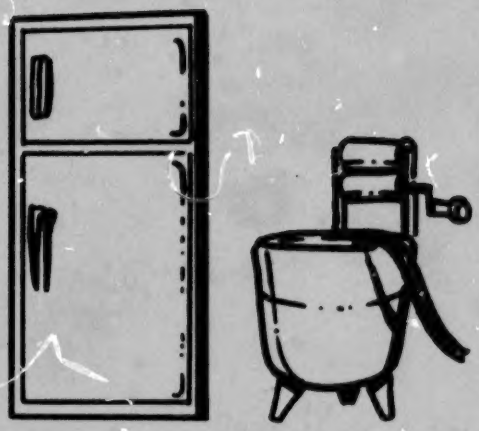
Everything was going fine until Dudley Smith got a raise. Dudley and his wife, Elmira, were not setting the world on fire, but they were quite happy on Dudley's $170 take-home pay a week. Their food bill was about $35 per week; their rent and utilities averaged $40 per week; and clothes, insurance, and some miscellaneous items cost them approximately $30 per week. Their old Edsel cost them about $40 including gas and oil, insurance, loan payments, and body work.

After dropping money here and there, Dudley generally had $10 to $15 to throw into the bank every Thursday.

One day, Dudley got his boss at the Main Street Auto Body Shop to raise Dudley's salary by $20 a week. On the way home that night, Dudley stopped at the Main Street Appliance store and put a $20 down payment on a $260 refrigerator.

"Tomorrow I'll bury that noisy monstrosity you've been using," he told Elmira.

They felt like millionaires. But when the new beauty arrived, Elmira's happiness was short-lived. "Dudley," she said "I can't have this beautiful refrigerator next to my old washing machine!"



"You're right," said Dudley, "after all, we're rich now!"

So, Dudley went back to the Main Street Appliance store. "That's right, Dudley," said Harry, the appliance salesman, "you don't even need a downpayment, since you have already purchased that refrigerator from us. We can add the $300 for the washer to your present bill. . . . Let's see, you are paying us $12 a week. We can add $6 a week, bringing it to a total of $18 per week."

"That sounds good," said Dudley.

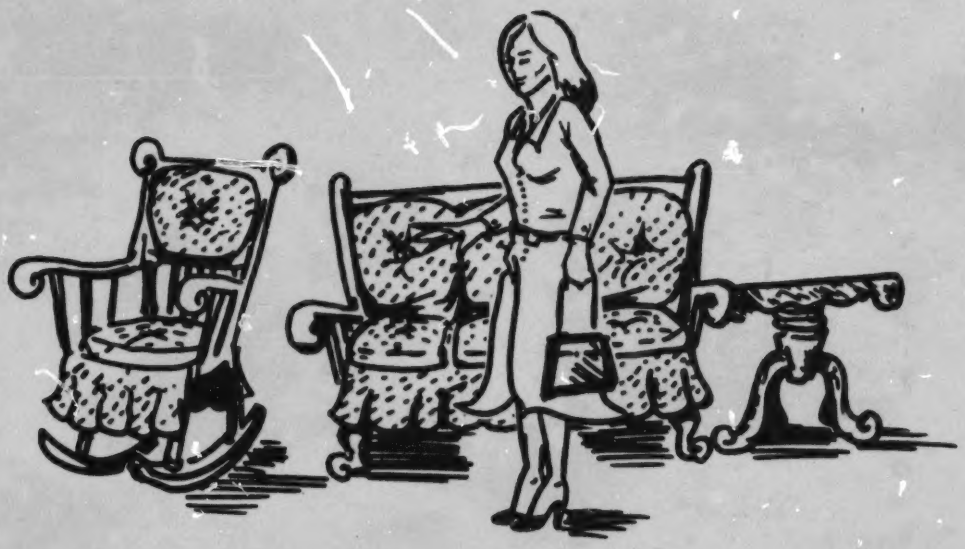
Now, finally, Elmira was happy. Two "dream" appliances in the same kitchen. "I feel like the Rockefellers," said Elmira. "Just think, you got an extra $20 a week pay, and we're only spending $18 of it."

But, like all "rich" women, Elmira started to look into the newspapers, and she just couldn't believe what she could buy for only a few dollars a week.

"Say, honey," she said, "don't you think wall-to-wall carpeting would look great in our living room?"

Dudley scratched his head. "How much did you say it was, sweetie? Only six dollars a week? Well, why not! We've scrimped for so long – we owe it to ourselves," said Dudley.

But, after the carpet arrived and was installed, Elmira began to feel that the furniture looked awfully shabby. She felt she had to make a choice. Either she could get rid of the carpet or go out and buy all new furniture. Elmira thought and thought and finally she said, "What the heck is a few more dollars?" So, she went ahead and ordered new living-room furniture. The set she ordered was beautifully done in Early American. Dudley didn't care, because he liked the couch.



Before long, they were spending money as fast as a down-hill racer. The reason was that everything that they bought made their old stuff look old and dingy. They began to wonder why they had never done this before. It was great fun!

One night, however, Dudley was looking for some pretzels to go along with his beer and he came across his payment books. He nearly died! "Say Ellie – there are 15 books of coupons here!"

Elmira came over. "Oh, don't worry, dear, we're up to date on all of them."

Now the wheels in Dudley's brain began to turn. "That's an awful lot of coupon books. Let's add them up."

So, Elmira and Dudley began to figure. They came up with the figure of $92.50 a week!

"Gee wilikers! That's more money than I *made* five years ago!" cried Dudley.

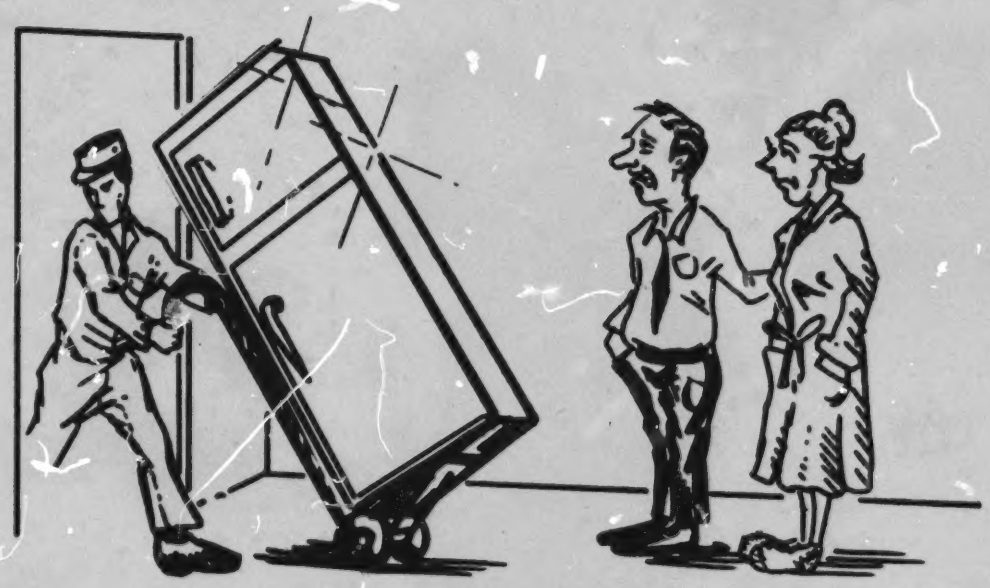
Now Dudley was afraid to look any further. But he did. Some of the payment books had almost three years left to go. Can it be $25 a week *in interest*? Before it would all be over, he would have paid thousands of dollars in interest alone!

"Oh, dear," cried Elmira, "and I wanted a Florida vacation, too."

"No Florida vacation for us, that's for sure," replied Dudley.

To make things worse, one day the lacquer in the auto body shop caught fire and put Dudley out of work for two months. Then the phone began to ring and the dunning letters started to arrive. Finally, a man came to the door. "Sorry, but I've come to take the refrigerator."

Poor Dudley and Elmira!



The Johnsons

Bob Johnson took home $170 a week, on which he supported himself, his wife Mary, and their two boys. Bob and his family lived carefully – never beyond their means. Just the same, with a growing family, Bob could only manage to save a few dollars each week.

One week, Bob's employer, The Tasty-Tasty Bakery, gave him a $20 raise. Before the raise, the family budget looked something like this:

Housing	$45	Clothing	$15
Food	$45	Insurance & Savings	$20
Car	$30		
Misc.	$15		

Like Dudley and Elmira, Bob's family needed a major appliance. They needed a washing machine. Unlike Dudley and Elmira, however, the Johnsons wanted to be sure to get the best product for the least amount of money. When Bob showed up at the Main Street Appliance store, the salesman greeted him, saying, "Have I got a buy for you! Look at that beauty in the window! Only $10 down. . . easy payments . . ."

Bob, being more cautious than Dudley, wanted to know the total cost of the washing machine, including all costs: sales tax, interest charges, insurance, etc.

Confronted with these questions, the salesman was at a loss for words. "Gee, Mr. Johnson, I don't have my book on me. If you come back tomorrow, I can give you all the information you want. I do know that the cash price is $299.95."

When Bob arrived home, he told his wife the Main Street Appliance store wanted $300 for the washing machine on display in its window.

"That's awfully high," said Mary. "I checked the Consumer Bulletin today in the library. Here – I made some notes. . . . That particular model received a rather poor rating, and it costs more than some other models that were rated a lot better. Bob, let's

get this "Clean Superior" model. That brand is carried by the Plain City Appliance Co. – I checked in the phone book. We should be able to get it for around $250 at Plain City. Maybe for less – they're having a sale."

Sure enough, Plain City Appliance had it for $230. It was not a super-super automatic model, but it could do whatever the Johnsons needed, by pushing an extra button after the "wash" cycle. They were delighted.

"Will you take our old washer as a trade-in towards the price of this new washer?" Bob asked the salesman at Plain City Appliance. The salesman said that the store would be glad to give them $20 for their old washing machine, and that this $20 could be used for the downpayment on their new machine. The remaining $210 could be financed on the store's "easy payment" plan.

"Well, I'm not sure," said Bob. "We'd like to check into several plans."

Bob and Mary then visited two banks and a finance company. They figured the total interest costs of each plan. The results were remarkable! On a yearly basis, the store charged 18% interest, the finance company charged 24%, one bank charged 12%, and their own savings bank charged 9%. The savings bank also had a plan whereby, if they agreed to leave at least $230 in their savings account at the bank until the loan was paid, they would be charged only 6¾% interest.

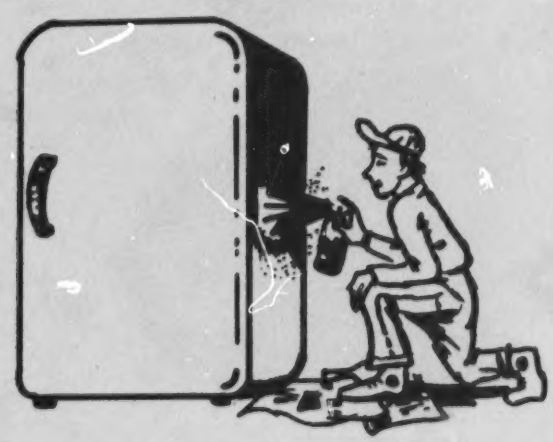
The Johnsons were really impressed by this last plan. Mary said, "We can borrow money and make money at the same time – we will still get 5¼% interest on our savings account." (They had about $600 in their savings account.)

Bob told the loan manager, "I believe that we can manage to leave at least $230 in our savings account without touching it, if we don't have any emergencies."

"It's a deal, then," said the loan manager. "$8.35 a week will pay the loan off in half a year."

When the new washing machine arrived, the Johnsons had the same problem as our friends the Smiths. Now the refrigerator looked old and dingy. The children pointed out the difference.

"Sorry, kids," said Bob, "we simply can't afford a new one. It still works fine; we can get a refrigerator enamel and paint it."



Now, the Johnsons had about $11 a week left from the raise that Bob had received. They held a family conference. It was decided that they would put $6 toward home improvements, *but* they would put the $6 away each week until they had the cash to pay for each thing, one at a time. With the remaining $5 they would get a power lawnmower. They could use it for the lawn area in front of their house, and the boys could earn some spending money by doing other people's lawns.

Once again, the family checked the consumer's guides and also talked to a friend who worked as a gardener. Both sources agreed that the Sharp Blade lawnmower was both good and reasonably priced.

Once again, they were fortunate in finding a hardware store that was having a sale. It was selling the lawnmower that the Johnsons wanted at a 10% discount, bringing the cash price required to $145.20. The Johnsons went back to their bank, but this time they did not want to have to tie up any more of the money in their savings account. This time they agreed to pay 9% interest. They would repay the loan in 30 weeks.

Gradually, the daily life of the Johnsons began to change. The boys were making almost $50 each week by mowing lawns, and everything was looking better and better.

Suddenly, one afternoon, Bob broke his leg while playing softball. His medical bills were paid by his company's insurance, but he received only 15 paid sick days from his job, and the doctor said he would have to stay home from work for at least two months. But Bob was prepared. Some time ago he had taken out an insurance policy that would pay him $100 a week while he was out of work due to illness or accident. Also, the boys were willing to help out until their dad was back on the job. They were able to raise extra money with their lawnmowing and other odd jobs.

The Johnsons' story shows that it is not always how much you make that counts, but how you use it.

Let's Talk About It

1. What were some of the mistakes that the Smiths made?
2. What is the advantage of borrowing "your own money" from a savings bank rather than withdrawing your savings?
3. Do you know any people like the Smiths?
4. Do you know any people like the Johnsons?

"BUT THE AD SAID . . .!"

Bill Jones loved music. He wanted to be a soul singer some day. . . . as great as Otis Redding, maybe. Bill didn't own a radio or a stereo set. He was a busboy at a local restaurant. He didn't make much money, but then, what could a boy of 13 expect?

One day, Bill happened to see a Dynamite stereo record player in the window of Discount Charlie's store. "The Otis Redding Special" cost only $64.99, according to the advertisement in the store window. The small print under the picture read, "$5.00 down and 12 months to pay at 3% interest."

Bill didn't have $65 in cash, but he did have $5. Besides, what's 3% interest!

Bill liked his new Otis Redding Special and the first payment was only $6.80. But what Bill didn't realize was that the model he bought was actually overpriced. The idea of paying only $5 down and having a whole year to pay off the balance had "carried him away." With a little shopping around, he would have discovered that he could have bought the same set at a discount house for $29. To add insult to injury, the "3% interest" he paid was *3% per month* – actually 36% a year! So Bill ended up paying $76 for a set he could have bought for $29.

The ad that "hooked" Bill, like so many used today, lures people into buying things they may or may not need, leaving the buyer without any concern for the cost. How do they accomplish this? What techniques are used? What can the average guy or gal do about it?

One way to protect yourself from too-persuasive advertising is to understand the many different appeals that are used. The following are some of the most common.

The "Hurry-Hurry" ad:

This ad is an invitation to a wild stampede. It tries to hammer home one point – you'll lose out badly if you don't move fast. "For a limited time only! Only 50 of these sensational Breezy Brand mini skirts! First time in this area at a price so low you will have to come to see them for yourself. But Hurry, Hurry, Hurry!"

Here's another: "Act fast, record fans! This oldy but goody collection is selling at $17.95, and today is the last day to get *absolutely free* with it, 10 glossy pictures of the greatest stars of all time, such as Conway Twitty, Elvis Presley, Little Richard, and many, many more. But you must act fast!"

These ads try to make you "panic," in the hope that you may join the mad rush to the "bargain," trying to beat your neighbor before the supply is gone. Under these conditions, you are not in the thoughtful, cautious mood that you would ordinarily be in when purchasing a product.

The "Magic Wand" ad:

Another technique is to appeal to the consumer's feelings of insecurity. The product offered will make everything perfect. You'll be admired, loved, the center of attraction. It's like magic!

"Do you worry about your appearance? Use Starlet soap." "See that girl surrounded by admiring boys? She uses Smil-O Toothpaste!"

Or, how about . . . . "Gee, Mary, I can't go out tonight. Just look at my face! Jimmy will never ask me to ride in his new convertible. What can I do?" "Don't worry, Sue. I just bought some CLEAN & COVER. Use it and see if it doesn't do a great job. Jimmy won't even see any of those blemishes." "Gee, thanks, Mary." "Don't thank me. Thank CLEAN & COVER."

The misleading ad:

Misleading ads, sad to say, account for a fair proportion of ads of all types. For instance, every day in the daily newspapers you will see ads like this under the "Apartments for Rent" section: "3 rooms, oil heat, hot water included. New floor tile, picture window. $145.00 per month."

When you go to see the apartment, you find that the three rooms consist of one bedroom-living room, a kitchen big enough only for dwarfs, and the so-called third room is an oversized closet. The oil heat is not paid for – only the hot water is included. And the picture window overlooks the garbage dump.

Ads for aluminum siding, new windows, and all sorts of home improvements are likely to promise more than they actually deliver. There will be all sorts of "extras" to pay for when you actually go to purchase them.

You will even find this type of advertising used by many local stores. They may display a large sign in their window reading "Star Sneakers – regularly $11.99 – now $6.66." Then, underneath, in very small print that can barely be read, "If perfect," or "irr." – which means, of course, "irregulars."

The "Association" ad:

Another gimmick used is that of "association." "John Astronaut, after his many moon flights, *knows* precision. That's why he chooses "Ever-Sharp" razor blades." This type of ad is used frequently in the hope that the consumer will purchase the product because it is used by someone that he holds in high esteem, not necessarily because it is better than some other product. And so we have ads full of phony doctors and scientists, as well as sports stars, social big-shots, entertainers, etc., etc.

The "Frightening" ad:

This is used to scare you into choosing a particular product. "No one can always eat the proper foods. Don't rob yourself of the essential vitamins you need in order to lead a long and healthy life! Take N-R-G Vitamins every day!"

"Are you being slowly poisoned by the food you eat? Subscribe to *Natural Nutrients* and learn the true facts."

"Fear" ads for life insurance are often aimed at young married people. For example, insurance companies love to contact young husbands and ask them, "What would happen if you should die tomorrow? What about your wife? Your babies? What will happen to them? Why not contact your "Protection Insurance Man" today and insure your family of a bright future!" (This is not to say that a young married man should *not* have insurance. But he shouldn't be frightened into getting what the salesman wants to sell him. This sort of purchase takes a lot of investigation and thought.)

The "Super Bargain" ad:

This ad attracts your attention by offering, say, a $400 color television set for the ridiculous price of $210. It tells you the brand name, one which you are familiar with. Then it will go on to say that the store bought a carload when a distributor went out of business, and that is why they can afford to sell it for so low a price.

The problem is that, when you get to the store, the salesman tells you, "Oh, I'm awfully sorry, but we just sold the last of those models. I'll tell you what, though. I can give you the same amount of discount on this TRUE-COLOR set." Unless you know better, you will probably walk out of the store with the substitute product, which most likely is not even worth the low sale price.

A variation of the "Super Bargain" ad is the "Bait and Switch" ad. The "bait" is often an appliance, a well-known brand, selling at a ridiculously low price. When you get to the store, the item is there, all right, but it might as well be nailed to the floor – YOU are not going to get it! The salesman will point out all its flaws, real or imagined, and you will soon find yourself looking at merchandise costing five or ten times as much.

The "Keeping Up" ad:

All of us have seen these ads. Most people don't like to be different. We have a strong urge to conform to what others do. This causes a lot of people to spend more money then they should, just trying to "keep up with the Joneses." An example of this: "Everyone today is wearing long hair. Men love for their women to have long hair. Don't you want to keep *your* hair looking great all the time, without any fuss or bother? Get your hair styled at Barney's, where all the young people are going these days. Young men, too, are taking more of an interest in the way their hair looks. Barney's has stylists that specialize in men's hair styling. Stay in step with the new generation – come to Barney's."

How about one for the slightly older group: "Do you know that nine out of ten Americans that use aspirin use Flippo aspirin? So, you *know* that Flippo has to be the best!"

Assorted gimmicks:

There are the appeals to snobbery – "Meet Mr. Superior. (Look at that house!) He drinks Expenso Scotch." There are the vague claims – "New, improved!" (over what?) "Nine out of 10 doctors recommend Sooth–o." (Let's see the "scientific" study that *that* is based on!) Exaggerated claims, half-truths, sometimes outright deception - all are used from time to time.

The Federal Trade Commission investigates and stops some misleading advertising, but at times it takes years. However, more and more companies have abandoned this sort of thing, voluntarily or otherwise. But others are still doing it. It is up to the buyer himself to develop resistance to ads that either mislead or attempt to lure him into buying something that he really doesn't need.

Let's Talk About It!

1. Many people feel that most advertising is a waste of money – that the buyer actually pays for it in the cost of the products he buys. Others feel that advertising brings down costs by increasing the volume of goods sold. How do you feel about this?

2. Can you think of any cases in which an ad helped you to find a real bargain?

3. What advertising appeals do you believe are most effective on young people? Explain. On old people? Explain.

4. How can you "protect yourself" against deceptive or too-persuasive advertising?

I KNOW IT'S THE BEST BRAND BECAUSE IT'S ADVERTISED MOST!

Jill and Sue were shopping together for some toiletries in a drug store – one of a large chain of stores. They headed for shampoos first, because they both were running short of shampoo.

"Here's my brand," said Jill, as she put the bottle into her basket. "Gosh, how the price has gone up since last time!"

Sue was busy looking over all the brands. Finally, she picked out the one with the store's own label on it. "You know," she said, "this bottle costs less than half of what that costs. I'm going to try it."

"But," said Jill, "Glam-Yure" brand is best – everyone knows that! Besides, I always see it advertised – that means it has to be good!"

"Who do you think makes *this* brand – with the "Pure-Drug" name on it?" said Sue. Maybe it's the same company that makes "Glam-Yure" brand, for all you know. Or some other good brand. With the money I save on the shampoo I can buy some hand cream. I hope they have a "house brand" of hand cream here.

"Not for me!" exclaimed Jill. "I *know* this is the best. And only the best is good enough for my hair!"

Every time you shop, you make decisions. How do you decide which brand to buy? When it comes to small items, do you always take the one that you see advertised the most, like Jill? Or do you give lesser-known brands a chance to "prove themselves"?

Often, lesser-known brands are fully as good as nationally advertised brands. "House" brands are generally manufactured by the same companies that produce the advertised brands. They sell for a lot less money, because their price does not include the high costs of advertising. Of course you may prefer another brand in actual use – but you'll never know unless you try.

The great number of products advertised adds to the confusion. In many cases there is little difference between them. Then each brand shouts at you, "BUY ME! I'M THE BEST!" If you happen to see more of the advertising of a particular brand, soon you will start to assume that that one really is the best, and you will ask for it, or pick it out, when you go shopping. That's what the company hopes will happen. But unless you have unlimited money (and who has?), your best bet is to shop for price as well as "name."

Of course when it comes to really important purchases – a record player, a bicycle, new tires for your car – you can't really afford to simply "try out" an unknown brand, with the idea that, if you don't like it, you can always buy another brand "next time." In a case like this, you must consider many things as well as price – the reputation of the manufacturer, the warranty he offers (more on this later), the reputation of the dealer for giving service, etc.

There is another big help available to consumers – national organizations that test products and publish the results of their testing in monthly publications.

The two best known organizations of this type are Consumers' Research, Inc., located in Washington, New Jersey, and Consumers Union, Inc., located in Mount Vernon, New York. Consumers Union is by far the larger. Each month it publishes *Consumer Reports*; 2 million copies are sold each month. Both these organizations exist only to help consumers get the most for their money. They try to test brands that are popular all over the country, and then they rate them by quality. They also make recommendations on "best buys," considering both quality and price.

Other companies sometimes put "Consumer" into their names to take advantage of the reputation of these testing organizations, so even here you must watch your step to be sure you get the publications that really have "no ax to grind." A trip to your library to look over these publications will make you a wiser consumer. You will often find that the most widely advertised products are *not* the best you can buy.

Let's Talk About It!

1. How do you personally feel about depending on brand names to assure quality?
2. What sorts of products might be good to try on the basis of price alone?
3. What sorts of products should not be bought without a lot of information as to their quality?
4. Would you rather buy a top-quality brand (of a large appliance, say) from a store that gives no service, or a slightly lower quality brand from a store that has a reputation for prompt and good service?

LAW AND THE BUYER

A *contract* is an agreement between a buyer and a seller that covers all the details of the things they promise to do. A contract can be made orally or in written form. As you have seen on the previous pages, problems can arise for the buyer when promises made to him by the seller are not put in writing. Very little business could be conducted if buyers and sellers continually failed to carry out their parts of agreements. Because of this, a person who breaks a contract may be held responsible and may be taken to court. If it can be proved that he failed to keep a promise that he made, and as a result, the other party suffered a loss, the person may have to pay *damages* (money paid to compensate for the loss).

Since a businessman's ability to keep his word is a business asset (advantage), he is not likely to endanger his reputation and damage his business. The same, of course, holds true for the buyer seeking credit. A "bad risk" credit rating can prevent him from buying on time or borrowing money. Both the buyer and the seller suffer when they fail to keep an agreement.

Every time you *buy* something, you enter into a contract! That is why it is so important that you know your *rights* and *responsibilities* when you enter into a contract.

Oral contracts:

When a salesman is talking to a customer about a particular product, he is obviously trying to sell that item. He wants the customer to believe that this item is just the thing he needs. Since most salesmen work on a commission basis, the more they sell, the more money they make. For this reason, you are going to find some salesmen that will use means that are not really honest.

A wise buyer will not believe everything that a salesman says. One thing a buyer must look out for is *puffing*. This is an exaggerated claim about the product. For instance, the saleswoman tells Susan that the pants outfit she has tried on "fits beautifully and is just the right color for you".

When Susan arrives home, her family tells her that the pants are too tight and that the color makes her skin look sallow.

A salesman must not *lie* about a product, but he can certainly *exaggerate*. If he actually lies, then he has violated the law and can be taken to court. By now, you may be confused. You are not the only one.

Take Charlie, for instance. Charlie was told that the table he purchased was very strong and was made of solid maple. When he brought the table home and rested his television set on it, the table broke. Charlie's friend, a coffin maker, told Charlie that the table was a cheap imitation and not real maple. Now, in this case, if Charlie had it in writing that the table was solid maple, or if he had brought a friend with him who had heard the salesman's claim, he could take the matter to a small claims court for settlement. Obviously, the salesman had lied.

These two examples – Susan and Charlie – are rather obvious examples of "puffing" and out-and-out "lying" – but now figure this one out. The owner of a store tells Mary that a certain framed reproduction of a painting is very fine and well done, and hence very valuable. Mary buys the painting for $25. Two weeks later she sees the exact same painting in another store for $4.95. Would a judge say that the owner was *puffing* or *lying* when he sold Mary the painting?

Written contracts:

A contract does not have to be in any particular form to be binding. However, every state requires *certain* contracts to be in writing in order that the courts can enforce them. These would be contracts involving the sale of *real property*, that is, land and the permanent structures on it. Also, if the period set for carrying out the contract is more than one year, it would fall into this category. In some states, it is required to have written contracts for the sale of goods that cost more than a specified amount of money, often $500.

It is important to put agreements in writing. If a salesman tells you a specific job can be done by a product, have it put in writing. Once you have your agreement in writing, there are two things you must be sure of:

1. Is the contract accurate and complete? Are the necessary signatures on it?
2. Do you understand all the terms of the contract?

Not every contract that you are going to enter into will be written in a manner which will make it easy for you to understand. Often the terms used will not be familiar to you, such as those used in the buying of real property. In cases such as these, a lawyer should be consulted. A lawyer costs money, but not nearly so much as a contract that doesn't say what you think it says.

Implied contracts (Promises):

"Implied" means expressed *indirectly* rather than stated in actual words. When you purchase a product, you take certain things for granted. For instance, if you buy a hamburger, you assume that it will be fit to eat. If you buy a pair of pants, you expect that they will last for at least a reasonable length of time and won't fall apart the first day you wear them. If you buy a record player, you expect it to work properly.

Things such as these you would take for granted. Most people do not bother to ask the salesman about them and he does not bother to mention them. But, just because they are not mentioned, this does not mean they are not part of the "contract." They *are* a legal part of your contract.

Implied contracts may be made by the buyer as well as by the seller. For example, Jill James goes into a diner and sits at a table. She says to the waiter, "Give me a steak and a salad." The waiter brings Jill her order and she eats everything. When she is finished, the waiter says "That will be $4.75." Jill says, "What do you mean? I didn't say that I would pay for it!"

Many cases in our courts today deal with the implied contract.

Warranties and guarantees

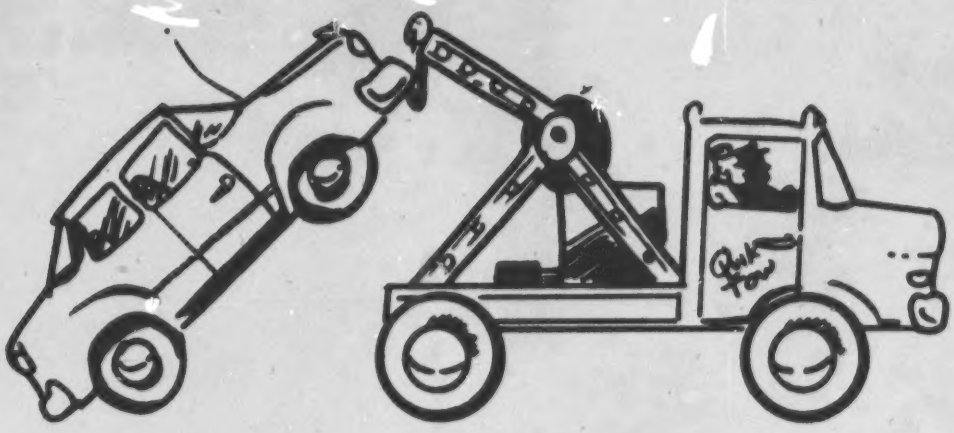
The words "warranty" and "guarantee" have much the same meaning in respect to goods for sale. They both refer to a written statement by a manufacturer (or store) that promises certain things if a product turns out to be defective. They may promise to repair the item, or replace it, or give you your money back "if not satisfied." There is almost always a time limit to the warranty or guarantee. The word "guarantee" is often used in a general sense, however, of a promise that an article is of "good quality."

Although an oral warranty is legally enforceable in the courts, it is so difficult to prove that it is always better to get a written warranty. Most manufactured products are sold with warranties. Even a promise that a garment will not fade or shrink is a warranty.

Here is a story dealing with a warranty and an implied contract.

Harry Sadowski bought a new car for $3,500. The car never worked right from the beginning. The engine did not sound right from the first day he brought the car home. But, when he went back and questioned the dealer about it, he was told that the noises should go away within a few days.

On his way home from the dealer's showroom, Harry's new car just stopped and died. Harry had the car towed back to the showroom. The dealer said he would have it fixed. When it had been repaired, Harry picked up his car, but within a few days, it conked out again. This happened several more times.



Harry got madder and madder with each breakdown. Each time, the dealer pointed out the new parts which his mechanic had put into the car. Two weeks later, the car broke down for the eighth time. Harry had the car towed back to the dealer, and this time he demanded his money back.

The dealer refused to refund Harry's money. He pointed to a sentence in the contract which Harry had signed, which read: "All parts warranted against defects in workmanship for 30 days; no other warranties or promises are made." The dealer claimed that he had lived up to the contract. He had showed Harry the new parts which had been put in, hadn't he?

What could Harry do? He realized that in a case like this he would need the aid of a lawyer. He talked with many people and was sent to a lawyer who had handled many consumer problems similar to Harry's. The first thing the lawyer asked Harry was, "Do you have all of your receipts for the repairs done and for all the towing charges? These will be necessary in a court of law." Harry did have them. The lawyer asked Harry if he had his contract. Harry showed it to him.

While the lawyer was reading over the contract, Harry spoke up. "You know, the dealer said that he lived up to his part of the contract and he doesn't have to refund my money because it doesn't say anything in the contract about the car's running properly."

"Mr. Sadowski," said the lawyer, "just because it is not written, does not mean it is not implied. In cases such as yours, people have been able to get their money back because of the simple implied condition that when you buy something, it is understood that it is going to work the way it is supposed to."

The lawyer agreed to take Harry's case. Harry was lucky because the case was settled out of court and he received a new car.

"Denial of Warranty"

A denial or disclaimer warranty is one where *no* promises, including "warranties of merchantability," are made. A warranty of merchantability is a promise that the item will be of average or fair quality. If Harry, for example, had had a disclaimer of warranty in his contract, he would have been out of luck. A disclaimer of warranty is found in contracts such as those involving used cars.

Let's Talk About It!

1. What is a contract? Does it have to be written down?
2. What is "puffing"?
3. Give an example of an implied contract that you make almost every day.
4. Discuss Harry Sadowski's case. Do you believe that there are many people in Harry's position who would do nothing about their problem and would just chalk it up to the fact that they bought a "lemon," or to "experience"?
5. When must a contract be written?
6. In your own words, explain a "denial of warranty."

FRAUD AND YOU

When a person has committed *fraud* against you, it simply means that he has *tricked* you into buying an item or service. Fraud is out-and-out deception, trickery, or lying.

Read the following stories, and when you are through, the term "fraud" should be clear to you.

A door-to-door salesman tells Joe Lumas that he can have an FM radio in his home for two weeks absolutely free; if he doesn't like it after the two-week trial period, he can return it at no cost to himself. He signs the agreement. In a few days the radio is delivered to his home. After 5 days, Joe decides to call the company, because the radio has had very poor reception. He discovers that he doesn't have the company's name or address. A week later, Joe receives a payment book with a note saying that if he fails to make any of his payments, he will be liable for suit (that is, he will be sued for the money in court).

Joe becomes enraged and phones the finance company. He discovers that what he signed wasn't merely a receipt for the trial use of the radio but an installment contract for $75.00.

Mrs. Urbon is 75 years old. Unlike many old people, she has saved a lot of money during her life and has quite a large sum in her savings account. For many years she has collected antique figurines as a hobby.

One day, after returning from the bank, Mrs. Urbon was approached by two friendly young women. The two women were well dressed and they spoke to Mrs. Urbon as if they had known her for a long time. This confused Mrs. Urbon, since she could not

remember ever having met them before. After a few minutes, the two women had convinced her that they were interested in seeing her beautiful antique figurines. They had been told by several people that Mrs. Urbon had the finest collection in the area. Mrs. Urbon, being extremely flattered, was quite happy to let them come home with her and see her collection. After visiting for a couple of hours, the two women told Mrs. Urbon that they knew of a woman in the neighboring town of Springfield who had just passed away. She had had a large collection of antique vases and molded figures. Her husband was offering to sell all of his late wife's articles for just $2,000. Mrs. Urbon was very interested in what the women had to say.

"You mean that I can actually purchase all those things you have just described for only $2,000? When can I go and see them?"

"Well, that's just it, Mrs. Urbon. Her husband is still in mourning, and he doesn't want anyone going through his house just yet. That is why he contacted us, so that we could take care of the details for him."

"I could wait," said Mrs. Urbon. "I really would like to see the articles first before I pay for them."

"Well, that is another problem. You see, if we don't sell them for him soon, we are afraid that he will change his mind."

"That settles it," said Mrs. Urbon. "Come with me now to the bank, ladies, and I will take out the money. I surely don't want to miss out on this chance."

The two women went with Mrs. Urbon to the bank, the Plain City bank, where they waited while she withdrew $2,000 from her account. She gave the cash to the women, and they agreed to return to her home in one hour with the prized antiques.

Mrs. Urbon waited patiently for hour after hour. Finally she called her daughter. After listening to the story of what had taken place, Mrs. Urbon's daughter phoned the police. They told her that the two women were probably 1,000 miles away by now, and there probably wasn't much that could be done.

Mrs. Greene agreed to purchase some furniture for her home. The salesman filled out an installment contract. In the space provided for a description of the merchandise he wrote: "Five (5) *rooms* of furniture." Mrs. Greene signed the contract, and the salesman put it away. After she had left the store, she remembered that she didn't take her copy of the contract. She was in a hurry and she thought to herself, "Oh, well, I can pick that up the next time I am downtown."

One month later, the furniture arrived. Much of it was damaged. Mrs. Greene returned to the store to register a complaint.

The salesman took out the contract, which now read: Five (5) rooms of furniture – damaged furniture to be accepted as is." The contract, of course, had been signed by Mrs. Greene.

Let's Talk About It!

1. Very simply, what is fraud?
2. In what way are the three examples given alike?
3. Go through each story and find all the mistakes that each "victim" made.
4. Does it work both ways: Can a buyer commit fraud against a seller?

HELP!

Much has been said about what to look out for, but what if you should still "get taken" in a business deal? What should you do?

Charlie B. Cool complained to his parents that he needed an air-conditioner in his room. He was told, "All right, Charlie. Why don't you go downtown and pick one up? You can use the money that you earned working at Ernie's gas station."

"But, Ma," cried Charlie, "I need that money to buy new tires for my car!"

"Well, Charlie, we simply can't afford to buy an air-conditioner right now, so you will simply have to make a choice. Either you buy new tires, or you stay cool."

Charlie thought about the problem for a long time but couldn't reach a decision. The following week, Charlie was listening to his radio when the weatherman said "The next few days are really going to be scorchers! The temperature will be in the 90's. . ."

"I'll feel like a cooked goose in this room unless I get myself an air-conditioner," thought Charlie.

Charlie went downtown and said to himself, "I've got to get one right away, so I can't shop around. The first place that I see that has one for a decent price is where I'll get it."

Charlie walked about a block and saw this sign:

BE COOL TOMORROW

BUY A "FROSTY" AIR-CONDITIONER TODAY

ONLY $109.95

Charlie walked inside the store and told the salesman what he was looking for.

"This model is the perfect size for your room, and it is guaranteed for two full years," explained the salesman.

"I'll buy it!" replied Charlie. He took the air-conditioner home and it was just great. "Man!" Charlie told his friends, "It's like sleeping on a keg of ice. . . .it's outa sight!"

The following summer, Charlie installed his air-conditioner in his room again, only this time it wouldn't work.

"Well," he thought, "I don't have anything to worry about. After all, it's guaranteed. I'll just find my warranty slip and take it back to Mac's Appliance Store."

Charlie searched all over for the warranty slip. He tried hard to remember where he had put it. The more he thought, the more sure he became that he had never received any such slip from the salesman. The salesman had said that he would receive a warranty certificate in the mail.

"Well, I'll just bring the air-conditioner down to the store. I'm sure they have a record of when I bought it."

When Charlie arrived at the store, he found out that the salesman who had sold him the air-conditioner was not working there anymore. He went to Mac himself.

"Yes, son," said Mac, "may I help you?"

"Yes," Charlie said. "I bought this air-conditioner here in July of last year and now it doesn't work."

"I'm sorry, son, but that particular model was only guaranteed for 90 days."

"Oh, man!" cried Charlie. "Your salesman told me that it was guaranteed for two years."

"Well, I'm sorry, but that salesman is no longer here, and, unless you can show me some real proof, you are going to have to get that unit repaired yourself."

Charlie went home thoroughly disgusted. He decided to go down to the Better Business Bureau. He looked in the phone directory and found the address of the office nearest to his home.

"I'm going down there and fix Mac's wagon good," he said to his mother on his way out the door.

When Charlie arrived at the Better Business Bureau, he was given a form to fill out. He asked the clerk if there was anyone there that he could talk to, because he needed some help in filling out the form.

The woman that was sent out to help Charlie asked him why he hadn't phoned the Better Business Bureau before he went to Mac's Appliance store.

"Why, everyone knows that the Better Business Bureau is the place to go to when you have been cheated by a store," said Charlie. "Why should I call you before anything happens?"

"You are correct in one way, Charlie, but the trouble is that too many people wait until they are "in the fire," so to speak, and then they come to us, when many times they could have avoided the trouble in the first place."

"What do you mean?" asked Charlie.

"You see, Charlie, the Better Business Bureau keeps a file on every company that we get letters and complaints on. So if you're thinking of dealing with a firm you don't know about, you can phone us first. We can let you know if it is a reliable firm."

"Do you mean that if I had phoned you first, you could have told me that Mac was a crook?"

"Well, not in so many words, Charlie, but we could have told you that we have had many such complaints, and that his company does not meet our standards. Another thing, the Better Business Bureau puts out pamphlets that give people tips on what to look out for in a sales contract, as well as pamphlets on home improvements, refunds and exchanges, and many others."

"If I had only checked with you first," said Charlie, "I could have saved myself a lot of grief! But – what can I do about it now?"

"Well, we here at Better Business Bureau are not lawyers, but we are businessmen and women whose purpose is to build and maintain public confidence in business. When we get a complaint against a company like Mac's Appliance Store, we send their file over to a state agency or to a small claims court. In Mac's case, his file was turned over to the State Consumer Protection Agency."

"You mean that you're not the only place a guy like me can go to?"

"Charlie, in this area alone, there are over five agencies that handle consumer complaints."

"Well then, what should I do?"

"Here is the address of a state agency and the person to speak to. They will be able to help you, Charlie."

"Gee, thanks a lot. . . .and next time I'll know who to call first!"

Charlie went to the state's Consumer Protection Agency office, where he was greeted by Mr. O'Hara, who handled complaints similar to Charlie's.

"Well, Charlie," explained Mr. O'Hara, "this is going to be a tough one. First of all, if you had that guarantee, it would make things a lot simpler."

"But the man gave me his word that it would be mailed to me within two weeks."

"You should have called up and inquired about it as soon as the two weeks went by and you didn't receive the guarantee in the mail."

"Well, to tell you the truth, things were going great at the time, and I just never worried about a thing."

"Now, Charlie, here is the problem. The fact that he gave you a promise means that he made an *oral* contract with you. . .which is exactly what we are going to have to prove. I am going to phone Mac's later on today and see what I can do. There is

an outside chance that I can convince him to fix your air-conditioner for you."

"One thing. . . .what is this about small claims court?" asked Charlie. "I'm not sure that I completely understand it."

"Well, first I will phone the store. If that doesn't work, then I will have to send you to small claims court."

"You have to have a lawyer to go to court, don't you? I can't afford a lawyer!"

"No, don't worry. Small claims court is exactly what its name implies; it is meant only for those complaints that involve amounts under a certain set figure – usually $200."

"What happens when I get to the courthouse? What do I do? How will I know where to go in the building?"

"That is very easy. You just have to check the directory in the hall for the room number of the small claims court, and then the clerk will show you how to fill out the necessary forms. But it will cost $5."

"As long as it is going to cost me money, I guess I'll wait and see if you get any results from your phone call. Thank you for your help, Mr. O'Hara."

When Charlie got home, his brother asked him how things had gone. Charlie told his mother and brother the events of the day.

"Man, what a pain in the —! Nothing but hassles."

"Didn't they help you?" asked Charlie's mother.

"Oh, yeah, they were great. They are doing everything they possibly can. But what annoys the heck out of me is that I was such a fool in the first place. This whole thing could have been avoided. You know, you just can't walk into any store and believe what they tell you. If I had called the Better Business Bureau first, they could have told me what kind of reputation that store had."

"Hey, Charlie," called his brother, "Mr. O'Hara is on the telephone. He wants to speak to you."

"Hello. Mr. O'Hara? This is Charlie. What's the story?"

"You are in luck, Charlie. They agreed to fix your air-conditioner."

"Thanks a lot, Mr. O'Hara. You've been a life-saver. In more ways than one, too, 'cause I don't think I could have stood this heat much longer!"

The Better Business Bureau

We hope that from Charlie B. Cool's story you got an idea of what the Better Business Bureau is and what it is trying to achieve. Here is a little additional information to make things clearer.

The Better Business Bureau is a non-profit agency that is established and supported by businesses nationwide. Every bureau operates independently, but within the guidelines set down by the Council of Better Business Bureaus. The bureau's services are free to all people. You are probably wondering why businesses would support a bureau that helps the consumer and people like yourself. The reason is that they feel that the average businessman is honest and should not be harmed by the few dishonest ones. Also, in many cases, there is a need for a referee to smooth out differences of opinion.

If you have a legal problem or a contract dispute with a store, you should contact your state's official agency that protects consumers.

The State Consumer Protection Agency

As we saw in the story of Charlie B. Cool, Charlie was helped, in his dispute with Mac's Appliance Store, by the State Consumer Protection Agency.

Many questions are probably beginning to form in your mind. When should I call? Where are they located? Is there any charge?

The State Consumer Protection Agency is actually what its name implies.... a statewide "protection" agency for consumers. You should contact it whenever you feel that you have been tricked or cheated by a businessman.

The agency will tell you if they can help you. In almost every case they are required *by law* to help you, but there are some cases over which they have no jurisdiction, such as cases involving faulty workmanship, contract disputes, and property damage. In cases like these you will be referred to a small claims court. We will discuss the small claims court more fully in another section.

In New Jersey, the only office of the state agency is located in Newark; but they do have a "Consumermobile" that they drive around the state. To get in touch with the agency you can either write or phone:

N.J. Division of Consumer Affairs
1100 Raymond Boulevard
Newark, N.J., 07102
201-648-3622

Let's Talk About It!

1. Why is it important to read a guarantee?
2. Who runs the Better Business Bureau?
3. What agency was able to solve Charlie's problem?

SO, YOU WANT TO USE A SMALL CLAIMS COURT!

Have you ever been so mad that you've wanted to sue someone?

Let's say that you have a painter come to paint one of the rooms in your house, and in the process he puts his ladder through your expensive picture window, and then refuses to pay for it.

You complain to his boss but without any results. You become so angry that you decide to take the man to court.

Or perhaps you feel that a local shopowner owes you more money than he paid you for some defective merchandise that you returned. Or maybe the dry cleaner ruined your favorite coat or dress and refused to pay for the damage.

Disputes such as these can be solved in a small-claims court. In these courts you can argue your case without the aid of a lawyer, and the judge may allow you to present evidence in a way that would be unacceptable in a more formal court.

These courts can be an effective avenue of complaint for the disgruntled consumer. In Washington, D.C., for instance, a consumer recently charged a local power company for damage to his air-conditioner. The company, he argued, reduced its power without first warning him. As a result, his air-conditioner was operating on below-normal voltage and broke down. The consumer won his suit.

If you wish to settle a dispute in court, go first to your local small claims court and see the clerk. In many localities, the clerk will give you advice as to whether or not to bother with the case. He can tell you how to act in front of the judge and can help you fill out the necessary forms.

Only cases involving *small* sums of money are accepted in small-claims courts. For example, in New Jersey, the limit is $200 (except $500 in rent cases); in Wisconsin, $500; in New York City, $300; in Washington,D.C., $150. Many of the courts, to make it convenient for the working person, hold proceedings at night.

The evidence you gather while waiting for your trial to begin will largely determine whether you will win your case. Collect, therefore, all relevant documents and papers: invoices, receipts, cancelled checks, etc. – whatever will help to tell your side of the story. Be ready with your evidence. Can you prove that the painter and not your children broke the window?

Also, contact any witnesses who might help you, and have them appear in court with you. If your witnesses don't want to get involved or are busy on the day of the trial, the clerk can issue them a subpoena if you wish. Of course, there may be a fee. If you want an expert witness, such as a doctor, you might have to pay him up to $100 a day. Other witnesses might also expect payment.

If the defendant sends you a "counterclaim" or other legal paper before the trial, take it to the clerk immediately. He will advise you on what to do with it.

During the trial, stay calm. Tell the truth, using your evidence and your witnesses to support your case. Don't argue with the judge or the other side. When the judge asks you a question, make your answer brief and to the point. He may ask you questions to help you state your case.

Many judges will decide the suit as soon as both sides have aired their case. If you win, the defendant will probably send you your money immediately. You may also be able to recover court expenses from him also. Sometimes, though, your defendant may be penniless or may skip town. If that happens, financially your victory will be worthless. Other times, you may have to pay a law officer to collect the money for you. If so, try to get the defendant to reimburse you for that expense too.

Taking a case to small-claims court sounds simple, but remember that it is no guarantee of a decision favorable to you. Small-claims courts have not always been effective for the consumer. That is why hiring an attorney may be a good idea – that is, if one is allowed. In California, for example, lawyers may not appear in small-claims courts.

An attorney will certainly increase your chances for success. If you don't have the money to pay for legal fees, contact your Legal Aid Society or a social service organization.

An attorney can be a necessity if you're suing a swindler. And without a lawyer, you may not stand a chance against the other party, especially if he has defense counsel. In some small-claims courts you may be in hostile territory, since not all judges are eager to right a wrong for a consumer. This most often is true if you are suing a retailer; local merchants sometimes know the judges personally and use these courts as a collection agency.

Whether or not you actually take a lawyer to court with you, it is a good idea to consult with one beforehand. He will at least be able to advise you if your case is worth the time, trouble, and expense. If he thinks your case is hopeless, he can advise you to drop it.

The thought of going to court to sue someone and arguing a case before a judge is frightening to many. For those uninformed about small-claims courts and ill-prepared to bring suit, the whole experience may be frustrating and embarrassing.

Small-claims courts could be used more effectively by consumers if they would take the time to bring a suit and if they do not mind the idea of going to court. If you have the time and want to take the trouble, the courts may be able to help you.

Getting your "fair share" in the market-place depends on your knowledge of your legal rights and how you can best use them.

Let's Talk About It!

1. Briefly explain how a small-claims court works.

2. Do you think it would be a good idea to "sit in" on a small-claims-court hearing before bringing a suit against someone?

3. In New Jersey, the fact is that the small-claims court is used more by collection agencies than by people with complaints. Why do you think this is so?

HOW TO SAVE

Few people – young or old – have enough money. At least, that's the way they think. There are always a thousand and one things that you need: tickets to various events, sports equipment, new clothes... Once you start spending, you find it very difficult to stop.

Many people believe that a raise or a higher salary is the solution to their money problems. But, as soon as they get that raise that they have been wanting, they become frustrated and angry with themselves because they still can't seem to manage to save any money.

In fact, many rich people complain that they just can't live on their salaries, because their position requires that they entertain often. They must hire a cook and a maid. They also must wear tailor-made clothing. The list could go on forever.

The same thing can happen to a young person even if he only has $5 a week. He will swear that he needs more in order to exist. So how can he possibly save anything?

First, you have to find out *where* your money is going. To do this you must keep a written record. When you first [illegible] keeping this record, you must list every item to the last penny.

Rough, you say? Yes, [illegible]. But, after a month or so of writing everything down, you will have a clear picture of where your money is disappearing to. The facts may be surprising.

Louie discovered that he was spending an average of 2 dollars a week on smokes, soda, ice cream, french fries... and it all added up! That comes to over 8 dollars a month, or $100 a year!

He also realized that his money was going in other directions, too. He frequently bought comic books, car magazines, and spent money on jukeboxes and phone

calls. Since he was receiving an allowance of $5 a week, he was always broke. He was always pleading for money at Christmas and birthdays in order to buy gifts for his family.

Louie thought about his problem for a long, long time. He had many choices. He could use the family power mower and mow lawns and possibly double his income. He could eliminate snacks and save approximately 2 dollars that way. He didn't have to listen to the jukebox quite so much, because he had tons of records anyway. He could use his home phone as long as he didn't make any toll calls, thereby saving himself money without costing his parents any money.

Louie examined his "budget" again. He decided that he would try all of his choices at the same time!

At the start, he found the going rough, particularly the first two weeks. He found only two people that wanted to have their lawns mowed, although between the two he managed to earn $15. Out of that money, he had to pay his father 80 cents for gas for the mower. He found that giving up french fries and other snacks was next to impossible, but his records showed that he was spending only 2 dollars for the two weeks rather than 4 dollars.

Instead of playing songs in the jukebox, he bought two records. This way, although he didn't save any money immediately, he could play the records as often as he wanted, and it wouldn't cost him as much as it would have to play them in the jukebox. He *did* save a dollar on phone calls. So, by the end of two weeks, Louie's budget looked something like this:

Budget #1

Money Received From:		Date:	Money Spent For:	
Allowance from parent	$5.00	7/1	Soda, french fries	$ .65
		7/2		
		7/3	Two records	1.78
		7/4		
Mrs. Jones' lawn	7.50	7/5	French fries, ice cream	.65
		7/6		
		7/7	Pool, bus fare	1.85
Allowance	5.00	7/8		
Mr. Bloomfield's lawn	7.50	7/9	Pool, bus fare	1.85
		7/10	Soda	4.25
		7/11	3 tennis balls	1.45
		7/12	Movies	1.00
		7/13	French fries	.45
		7/14	Gas for mower	.80
Total amount received:	$25.00		Total amount spent:	$10.73

$25.00
-10.73
$14.27 remaining (Savings)

At first glance, Louie was upset, because he still couldn't stay within the money he received from his parents; but he realized that Rome wasn't built in a day. Certainly, he couldn't expect to be a millionaire after only two weeks. So, he stuck to his guns.

By late August, Louie's budget resembled Budget #2 below. By this time, it was clear to Louie that if you *increase* your income you can give yourself some rewards – like his new tennis racket; but the conclusion that Louie arrived at was, "If you want to save – spend only half of what you make."

Budget #2

Money Received From:		Date	Money Spent for:	
Allowance	$5.00	8/15		
		8/16	Ice cream, sodas	$ .85
Mrs. Harold's lawn	8.50	8/17	Pool room	1.75
		8/18		
		8/19	Magazines	.90
Mrs. DeMasi's lawn	6.00	8/20	Pool, bus fare	1.85
		8/21		
		8/22	French fries, soda	.70
Allowance	5.00	8/23		
		8/24		
Mrs. Jones' lawn	7.50	8/25		
		8/26	Pool, bus fare	1.85
Mr. Bloomfield's lawn	7.50	8/27		
		8/28	French fries, soda	.75
		8/29	Tennis racket	10.40
Total amount received:	$39.50		Total amount spent:	$19.05

$39.50
-19.05
$20.45 remaining (Savings)

By the end of the year, Louie had saved $91.17 in the bank. The money he had in the bank had earned $2.17 in interest as well. By the end of the following year, Louie had $281.84 ($9.67 of which was interest). . . .enough to buy a Honda-305 that was used but in good condition.

Let's Talk About It!

1. Before you can save money, what is the first thing you must do? Why?

2. Why isn't a raise always the answer to a money problem?

WHAT "TRUTH IN LENDING" MEANS TO YOU

Almost everyone at one time or another will use some type of credit. You may buy a car or an electrical appliance on the installment plan. Or, you may buy gas and oil or restaurant meals on a credit card. Almost everyone signs a mortgage when buying a house and sometimes when arranging for a major home improvement.

Occasionally you will borrow money from a bank, finance company, or other lender for vacation use, or perhaps to meet unexpected medical expenses.

In most cases, as we have discussed before, you have to pay a charge for the use of credit. The purpose of the "Truth in Lending" law that went into effect on July 1, 1969, is to aid you in knowing *exactly what the charge is* for the credit. This also makes it possible to *compare* the costs of credit from different sources. The law requires that all creditors – people who loan you money – must state their charges in exactly the same way.

Two To Remember

The law we have just mentioned makes it easier for you to know two of the most important things about the cost of credit:

1. **Finance charge:** the actual amount of money to be paid in order to obtain credit.

2. **Annual percentage rate:** the rate of interest *per year.* This provides a way of comparing credit costs regardless of how much money is being borrowed or how many payments must be made.

You probably know what interest is – 6% per year, for example. Let's suppose you borrow $100 for one year and pay 6% or $6 for that money. If you have the use of the entire amount for one year, then you are paying an annual percentage rate of 6%. But if you repay the $106 in 12 equal monthly installments, you do not have the use of the entire amount for the full year. In fact, over the entire year you have the use, on the average, of only about *one-half* the full $100. So, the $6 charge for credit in this case becomes an annual percentage rate of about 11%.

Some creditors use a "service charge" or a "carrying charge" or some other charge instead of interest. Or, perhaps they may add these charges to the interest. Under the Truth in Lending law they must total all such charges, including the interest, and call the total the *finance charge.* They must also tell the annual percentage rate of the total charge for the credit.

The Truth in Lending law does not fix interest rates or other credit charges, so it is up to *you* to shop around!!! To comply with the Truth in Lending law, department store bills, for example, now list both a monthly rate (for example, 1%, 1½%, or some other number) and the *annual percentage rate*. This may be 12%, 18% or some other percentage, but it will usually be *12 times* the monthly rate.

Advertising

The law also gives a new look to the advertising of credit terms. It says that if a business is going to mention one feature of credit in its advertising, such as the amount of the downpayment, it must then mention all other important terms, such as the number, amount, and period of payments that follow. If an advertisement states "Only $2 down," it must also state, for example, that you will have to pay $10 a week for the next two years. Here again, the intent is to provide you with *full* information so that you can make informed decisions.

Cancellations

Door-to-door salesmen with their high-powered sales talks nowadays have to contend with a "cooling off" requirement, as ruled by the Federal Trade Commission. This is of great help to those who get "carried away" by the salesman's glowing account and may sign up for vastly overpriced goods.

The consumer now has three business days in which to cancel any contract or purchase amounting to $25 or more, if the sale was made at home or at any place other than the seller's own place of business. (This includes sales at the factory gates, docks, etc.)

The rule also requires that the seller must give the buyer a *notice of cancellation* attached to the contract or receipt. To cancel, all you need do is sign, date, and mail the notice within the three days.

While some states, including New Jersey, had their own, more limited cancellation provisions, the new rule gives nationwide protection covering most door-to-door purchases. It does not cover sales of real estate, or investments offered by securities salesmen registered with the Securities and Exchange Commission.

In view of this right of cancellation, a contractor should not start work until the three days are up. According to the New Jersey law, you may give up your right to cancel and get the work started without the three-day wait, if you notify the contractor *in writing* that you face a real financial emergency and need the credit immediately to finance repairs necessary to avoid danger to you, your family, or your property.

Points To Remember

YOU as an individual may sue a businessman if he fails to make the required disclosures. *YOU* may sue for *twice* the amount of the finance charge – for a minumim of $100 and up to a maximum of $1,000 – plus court costs and reasonable attorney's fees.

Let's Talk About It!

1. In your own words, what is the purpose of the Truth in Lending law?
2. How does this law affect the advertising of credit?
3. What is an annual percentage rate?
4. If a store owner wants to advertise the amount of the downpayment, what else must he include?
5. Why do you think the lawmakers decided to give you three days to reconsider a business deal when you are using your home as collateral?
6. If, in a business deal, the company doesn't follow the proper procedure, what may you do about it?

WHEN IS A "BARGAIN" A BARGAIN?

Too good to be true:

"Bait and switch" is a term dishonest salesmen use among themselves to describe a little act they put on to grab a lot more of the customer's dollars than the customer planned to spend. Bait and switch can be quite a production, but basically it has a simple plot, a small cast of characters, and a few props. For some reason, it seems to work best with appliances like vacuum cleaners and sewing machines, but sometimes it involves other items.

In their investigation of bait-and-switch schemes, different agencies have found that the story usually goes about like this: The businessman puts an ad in the local papers: "REPOSSESSED. . .Singer slant-needle sewing machine. . .Take over 8 payments of $5.10 per month. . .XYZ Finance Co." Or, "2 months old, like new, balance only $62. Pay $5 per month, Call Credit Mgr." That's the "bait." To the family in the market for a sewing machine, this looks like a chance to get a good one by taking over somebody else's payments. As anyone can figure out, eight times $5.10 is $40.80, and a "Singer slant-needle sewing machine" for $40.80 sounds too good to be true.

It is too good to be true, but that's getting ahead of ourselves.

Meanwhile, let's say the family answers the ad. They took the "bait." Here comes the salesman. Real smooth, pleasant sort of guy, usually. He brings in a beat-up old sewing machine that hardly works. He freely admits it isn't any good, and says, "You and your family, of course, wouldn't use a poor machine like this, I can see that. What you want is a nice new machine, and I've got just the thing. Be right back!" Now here comes the "switch." Back comes the salesman, bringing a nice new machine. It looks even better beside the old beat-up one. He demonstrates the new one. The family is delighted with it, and contracts to buy it right then and there.

What's wrong with that, you say? Well, the "bait-and-switch" tactics are usually a dead giveaway that probably much is wrong with the deal (except, sometimes, the product being sold). What is wrong is that the salesman never *intended* to sell the beat-up machine in the first place. The customer would have to practically twist his arm to get him to sell it. The old machine is one of the "props," remember? What the salesman wants is to sell a new machine at a high price. What's wrong with that is that the company is not a finance company at all; it just sells sewing machines. The ad was simply a way to get leads for new "suckers." Records have shown that many a customer who had planned to pay about $50 for a used machine is "switched" into paying nearly $300 for a new machine which, often, they could have bought in a local store for considerably less.

It pays to be wary of the "big switch." It pays to be wary of a salesman or an ad that makes an offer that's "too good to be true."

Read the Guarantee:

There is no law that says a manufacturer has to guarantee his product. Nor is there any law that says he has to advertise his guarantee. Why, then, does he do it? The

obvious answer is that a guarantee makes a product more attractive to the buyer. And advertising can make the guarantee sound more attractive than it really is. The buyer's problem is to find his way through the forest of advertising guarantees.

If two products are similar in looks and are priced about the same, we will probably buy the one that claims to have the best guarantee, and the seller is well aware of this fact. This is where the confusion can, and usually does, set in.

Although the advertising for each product may say that the product is "Guaranteed for 3 years," the buyer may find that the *actual* guarantees may be quite different. In the case of an electrical appliance, for instance, one printed warranty may cover everything except the motor for three years; another warranty may include materials but not charges for labor performed in connection with the repair of the appliance. There are almost as many variations as there are warranties!

Federal Trade Commission investigations have uncovered so much deception in the advertising of guarantees that it has issued a booklet entitled "Guides Against Deceptive Advertising of Guarantees." This booklet clearly shows both businessmen and consumers what must be shown in the advertising of a guarantee.

Guarantees may be advertised in any number of ways. They may appear in a newspaper or magazine or on a sign in a store window. A guarantee may be written on the box containing the product, or printed on a tag attached to it. Guarantees featured on radio or television are obviously a form of advertising, as are the verbal guarantees given by a salesman in a sales talk. A careful study of the guarantee itself will usually show that the one who makes the guarantee *is* playing fair with the buyer. The "fine print" may be *very fine* indeed, but generally, the conditions and limitations are spelled out. It's in the *advertising* of the guarantee that the maker may be misleading.

To advertise that a tire is "guaranteed" tells us little. What is guaranteed? That the tire is a tire? To advertise that a carburetor has a "lifetime guarantee" is fooling the public unless (if this is the case) it is stated that the carburetor guarantee runs for the entire life of the car in which it was originally installed. To advertise a price as "guaranteed the lowest price in town" is deceptive, unless the person giving the guarantee indicates what he will do if we find an identical item at a lower price.

Proceed with Caution:

There is no denying that when we need it, we all like to fix up the old place with a new roof, or a new porch, new storm windows, or new siding.

Investigations prove, time after time, that we should proceed with caution in going ahead with important improvements. Generally speaking, the "bugs" are not in the products but in the sales methods. The sales methods sometimes *lead us to do things we did not originally start out to do.* Like paying a bigger price than we can afford.

Take, for example, the Rogers, who were not really planning to put new siding on their house, although they admitted it would be nice to have it done. When the salesman came around, he hit them with, "Why, Mr. Rogers, you are going to have carefree living here from now on. No more painting, no more repair. This siding is good for a lifetime. Our products and installations are guaranteed for 20 to 50 years." This sounded very good to Mr. Rogers. The salesman continued, "And this is going to cost you a very small piece of change, because we have chosen your house to be a model demonstrator home. Mr. Rogers, you've got such an attractive place here that when we've put the siding on it, this lovely home is going to *sell siding for us*, and this will be worth real money to you, because we are going to give you a nice, fat bonus for every job we get as a result of showing your home. You won't have to do a thing."

After many more words to this effect, the salesman had his papers out, ready for Mr. Rogers' signature. Mr. Rogers was a little shocked when he saw what the new siding was going to cost him, but the salesman was ready for this.

"I'll tell you what, *Mister Rogers*," he says, "you are really getting a special price as it is, but I will take the responsibility for giving you a further discount, which I am allowed to do only in a few, very special cases. How does that sound? There, now you just sign here, and I will take care of everything. You will never feel these small payments. Our expert workmen will be here in the morning. It has been a pleasure doing business with you nice folks."

Cautious consumers know what is wrong with this picture. They know the promise of a 20- to 50-year (or a "lifetime") guarantee is deceptive, because it is unreasonable to expect the siding to be trouble-free for 20 to 50 years or to expect the company to be in existence to make good on a guarantee "for a lifetime." Cautious buyers also know that the "model demonstrator home" pitch rarely pans out. And they are not impressed with the salesman who says: "This is a special price just for you." They could tell the Rogers that when they are good and ready to have new siding put on (or make some other substantial improvement), they should shop around, investigate reputable companies, compare prices, carefully read printed guarantees, and make their decision without too much help from the salesman.

Let's Talk About It!

1. Give an example of "bait and switch."
2. Why do most manufacturers guarantee their products?
3. Why is it a must that you read a guarantee carefully?
4. Why do so many people have trouble with home-improvement companies?
5. What are some of the pressure techniques that the siding salesman used?

YOU'RE FIRED!

John "Bear" Greenhouse is 21 years old, married, and has a 2-year old son. Bear's had it tough. He decided that instead of going to college he would get a job and get married. Bear found out early that he wasn't trained to do anything. "If only I had gone to Vo-Tech, instead of playing football for Franklin," he often compained to his wife, Mary. It wasn't that Bear couldn't get a job. He had no trouble finding work, but nothing over $3.00 an hour.

One day a friend suggested that he apply at Smith Trucking Company.

"Well," said Mr. Fry, "We do need another guy to help load trucks, and you certainly look strong enough. We pay $4.10 an hour."

"That sounds great!" said Bear.

"Well, then, you start on Monday, Mr. Greenhouse."

Later in the week, Bear and Mary were sitting in the yard when Bear said to his wife, "You know, Mary, we should be able to save enough money for a downpayment on a car within a month or so."

"That sounds wonderful, honey. How much will we need?"

"Well, the way I figure it, we will need $250. $200 for the downpayment and $50 for miscellaneous fees. . . . .license, registration, etc."

About a month later, John saw an ad in the paper:

1974 Impala
Must sell
Take over payments
$95 a month

"What do you think of this, Mary?" he said as he put the paper before her so she could read the ad. "It sounds like a good deal, but can we afford it? What do you think, Mary?"

"You're right. It does sound good, but you're the one who knows how much savings we have. It's really up to you."

"With the money we've saved for a downpayment, I think we'll be able to get a couple of months ahead, and if I keep getting overtime like I have been, we should be able to swing it."

Bear and Mary went to look at the car and fell in love with it. It had a V-8 engine and air-conditioning, too.

They decided to take the car and managed to make the payments. At times it was pretty tough, but they managed. Six months went by. One night, coming home from a friend's house after a few drinks, Bear lost control of the car on wet pavement.

The car skidded and hit a barrier. Fortunately, Bear was not hurt, but the new car was "totaled." Soon Bear's back began to give him trouble, and he began to miss work.

Bear was furious with himself because he had tried to save a few dollars by not taking collision insurance on the car. "Mary, whatever will we do? We still have 18 payments to make on the Chevy, and we don't even have the car any more."

The following week, Mr. Fry called Bear into his office.

"Bear, we received a letter from the Easy Finance Co. in which they stated that they are going to garnishee a part of your wages. We have a policy here. Anyone that has a creditor taking part of his wages cannot stay on with us. We'll have to let you go."

"Things have really been tough lately, Mr. Fry. If you can give me a couple of weeks, I am sure that I can straighten things out."

"Bear, I work here like you. You're a nice guy and I'm stretching it a bit, but I'll give you one week."

That night Bear went home and told his wife, "Mary, do we have problems!"

What Happened to Bear's Wages?

Almost all contracts state that if the buyer fails to pay an installment on time, the seller may demand immediate payment of the full amount of money still owed him.

In Bear's case, he could not meet the installment that had to be paid to the Easy Finance Company. Therefore, the Easy Finance Company sued Bear for the money. This means that the Finance company would take Bear to court and try to convince the judge that Bear must pay the money he owes. This will not be difficult for them to do, since Bear has no defense. He *did* sign a contract, and the Easy Finance Company *did* complete its part of the bargain.

You are probably wondering what good it will do for the court to order Bear to pay the money he still owes, since it is obvious that Bear does not have the money to make the payments or he wouldn't be in this mess in the first place. Well, there are two ways that the judge can decide: 1) He can request that Bear sell all of his properties in order to get the money he needs to pay his debt; or 2) He can allow the Easy Finance Co. to go to Bear's employer (the Smith Trucking Co.) and have Bear's wages garnisheed. That is, a certain amount of money would be taken directly out of Bear's wages each week and paid to the finance company until the debt is completely paid off.

But – Bear will not be fired!! Bear happens to live in New Jersey, and since 1968, it has been illegal for a New Jersey employer to fire an employee because his wages are being garnisheed. (Many other states have this protection, too, but not all.) You are probably wondering, "What if Bear doesn't know about the law and gets fired, anyway?" Don't worry. The Easy Finance Co. won't let that happen. They want to get the money that is due them.

How much money can be taken out of Bear's pay each week? If Bear makes $3.50 an hour, approximately $140 a week, the finance company could take $9.20 each week until the debt is paid. Where did the $9.20 figure come from? In New Jersey, creditors can take only 10% of your wages after the first $48. This means that the first $48 is kept by the employee, and the 10% is taken on whatever amount remains. For example, if Bear worked overtime and made $168, they would take $12 from his pay.

$168.00	wages earned
-48.00	first $48 to employee
$120.00	remaining amount after first $48

10% of $120 would equal $12.00

Up until 1971, in many cases the company that was trying to collect payment for a debt did not even have to go to court to show a reason why it was owed the money. And, rather than be bothered with the bookkeeping, the employer, such as Smith Trucking, would often fire the employee.

As you can see, this has all been changed here in New Jersey. Unfortunately, in other states, the laws are not always as fair.

Let's Talk About It!

1. How much should Bear have spent on a car? Why?

2. What does the term "garnishee" mean? What are your state's laws concerning the garnishment of wages?

3. Do you believe the New Jersey laws regarding garnishment are fair to both parties (debtor and creditor)? If not, how would you change them?

"SO I GOT MY MONEY BACK, BUT WHAT'S GOING TO HAPPEN TO THEM?"

If you live in New Jersey, "you won't see them hang" but you will see them squirm.

On June 29, 1971, the governor signed a group of amendments (changes) to the New Jersey Consumer Fraud Act. As laws go, this one is not as boring as most. But I doubt you would like to take it to bed as you would a murder mystery or romance novel. How does this law work? Well, follow along with Bob Jones and see what happens.

Bob wanted to buy a good cassette tape player. One night, while he was looking in the paper, he saw this ad:

But when he got down to Dependable Appliance, he was told, "Sorry, but the Panasonic model you want costs a little more. For $49.50, we only have this GOOD SOUND model."

Bob was angry because he had wasted a whole Saturday afternoon looking for the Dependable Appliance store, and because he had been tricked by the advertisement. On Sunday he read an article in the newspaper about the State Consumer Protection Agency. On Monday he decided he would give the agency a call. He explained his story to the man on the phone. That same day he found a cassette player-recorder for a good price. A month later he received a letter from the State agency, thanking him for his interest and telling him that the Dependable Appliance store had been fined $1,000.

"Wow," said Bob to his sister, "I guess the State means business!"

Let us examine a little closer just what the state *can* do in cases of fraudulent business practices.

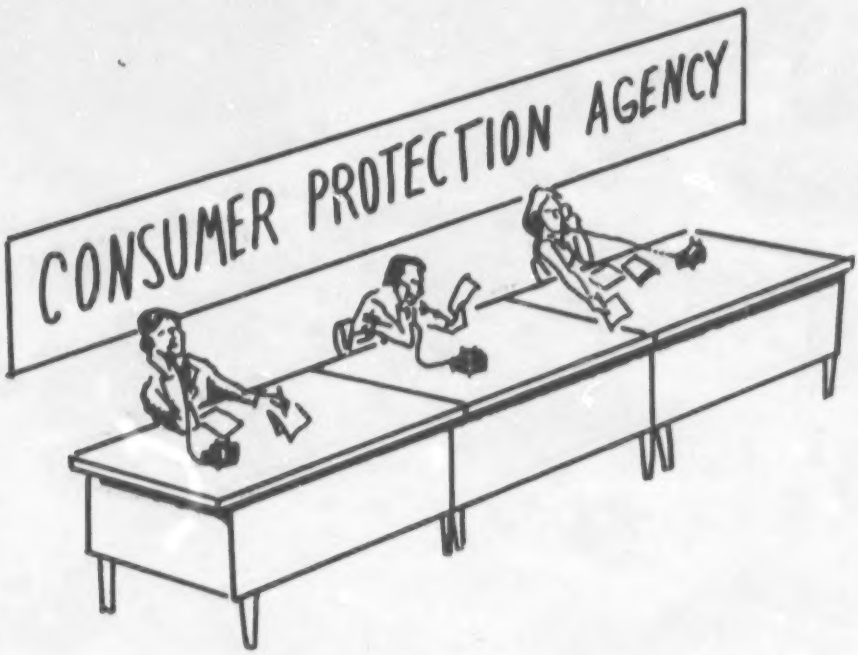
1. *Fine* the person (or business) from $1,000 to $5,000. (It used to be $100 to $250.)

2. *Reward* you *triple* the damages, if you suffer a loss.

3. Take the person (or business) *to court* for you.

4. *Stop* him from committing further fraud and, in some instances, obtain *fines* up to $25,000.

As you can see, if a person or a business has committed a fraud, they are not going to get a mere "slap on the wrist"!



THINGS TO REMEMBER

We have come to the end of our "journey" on using your money wisely. But, before you go, here are a few things that we hope will stick in your brain.

Shop around.

Check prices at different stores to make sure you are paying the lowest possible price for what you want. Be extra cautious in dealing with door-to-door salesmen: before buying from them, call several stores or check a mail-order catalog so you can compare prices.

Read advertisements carefully.

Buy the products you *NEED*. Don't let your emotions determine what you are going to buy. Remember that in the long run you get "nothing for nothing." You pay for what you get.

Know your store or company.

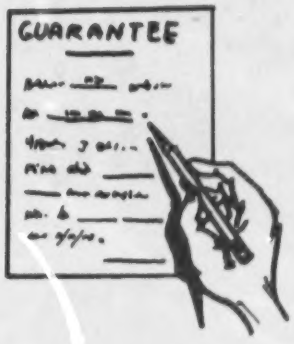
Before you spend your last dime on an important purchase, call the Better Business Bureau or the state's Consumer Protection Agency to find out whether any complaints have been made against that store or company.

Resist smooth talking.

Refuse to be talked into a salesman's "fast deal." Remember, it's *your money* and he probably needs your business more than you need his goods. Don't sign a contract just because you see something you like. Be sure you want it enough to pay the price happily. Your signature may mean that you'll be behind the eight ball for a long time to come. Beware of statements such as *"YOU MUST ACT NOW"*. . . . *"YOU WILL LOSE A GOLDEN OPPORTUNITY IF YOU WAIT"*. . . *"THIS IS A ONCE-IN-A-LIFETIME CHANCE."*

Think it over.

Never sign a contract too readily, no matter how great the deal looks to you at the moment. Take it home and discuss it with someone you know and trust, or with someone who knows a lot about the product. Consult a lawyer if you are really confused. An honest salesman does not object if you take your time to look over the contract before you sign it. If you are dealing with a door-to-door salesman, ask him to return in a few days when you have had a chance to think it over. Also remember that you have three business days after signing a contract to change your mind.



Put it in writing.

Get a written statement from the seller that states he will replace or repair his product at no extra cost to you, if it should not work properly, or not work at all, within a certain period of time. If you expect to have your product live up to the expectations the salesman has indicated, then you must have it in writing. An honest seller is more than willing to do this for you. Remember that the seller makes you put all of *your* promises in writing when you sign a contract!

Get legal advice.

If you receive a paper that looks like a legal document or notice, see a lawyer right away. If you can't afford a lawyer, then go to Legal Aid, but don't ignore it!

Use Consumer Agencies.

You can save yourself a lot of headaches if you seek help before you sign a contract. These agencies have been discussed before, but here they are again:

1. Better Business Bureau
2. State Consumer Agency
3. Municipal Consumer Fraud Bureau (each city has one listed)
4. Federal Trade Commission
5. Post Office Department (for using the mails to defraud)
6. Your local newspaper may have an "Action Line" or some similar service to help harassed consumers.

Check your telephone directory for the addresses and phone numbers of the above agencies to find the one nearest to your home.

PROJECTS YOU CAN DO

1. Break up into small groups (approx. 6 in each group) and let each group discuss one of the following:

   a. Ways to earn money
   b. Reasons for saving money
   c. How to find a bank that will give the highest interest
   d. Ways to invest your money

   Set a time limit and at the end of the time have each group compare notes. Or, if you want, let each group discuss all of the above categories. The results should be interesting.

2. Bring in the classified-ad section of your local newspaper. Look through it for ads that seem suspicious. For example:

   > Needed: 200 men & women. . . highest salaries. . . no experience necessary. . . call 926-7189

   Perhaps a few daring volunteers would be willing to phone and inquire about the positions advertised.

3. Look through the newspapers for advertisements of bargain sales. Break up into small groups and let each group investigate and then discuss the ads to find out which ones were actually bargains and which ones were not.

4. Make a list of everything that *you* spend money on (similar to Louie's list on page 48). Then let everyone compare notes.

5. Have a speaker from one of the many consumer groups come in to speak to you on a topic that you are interested in.

6. Organize a class trip to visit a small claims court.

7. Prepare a food budget for a family of four (two adults, two teenagers) for one week, using prices advertised in the newspapers. Make sure that the family gets a balanced diet. Then present and defend your budget.

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